

**LODI CITY COUNCIL
REGULAR CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, MAY 19, 2004**

C-1 CALL TO ORDER / ROLL CALL – N/A

C-2 ANNOUNCEMENT OF CLOSED SESSION – N/A

C-3 ADJOURN TO CLOSED SESSION – N/A

C-4 RETURN TO OPEN SESSION / DISCLOSURE OF ACTION – N/A

A. CALL TO ORDER / ROLL CALL

The Regular City Council meeting of May 19, 2004, was called to order by Mayor Hansen at 7:04 p.m.

Present: Council Members – Beckman, Hitchcock, Howard, Land, and Mayor Hansen

Absent: Council Members – None

Also Present: City Manager Flynn, Interim City Attorney Schwabauer, and City Clerk Blackston

B. INVOCATION

The invocation was given by Pastor Bill Sherrill, Lodi Police Chaplains.

C. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor Hansen.

D. AWARDS / PROCLAMATIONS / PRESENTATIONS

D-1 Awards – None

D-2 Proclamations – None

D-3 (a) "Presentation regarding Lodi Area All Veterans' Foundation events" was ***pulled from the agenda pursuant to the request of the Lodi Area All Veterans' Foundation.***

E. CONSENT CALENDAR

In accordance with the report and recommendation of the City Manager, Council, on motion of Council Member Land, Beckman second, unanimously approved the following items hereinafter set forth **except those otherwise noted**:

E-1 Claims were approved in the amount of \$2,193,806.22.

E-2 The minutes of April 20, 2004 (Shirtsleeve Session), April 20, 2004 (Special Meeting), April 26, 2004 (Special Meeting), April 27, 2004 (Shirtsleeve Session), May 3, 2004 (Special Meeting), May 4, 2004 (Shirtsleeve Session), May 7, 2004 (Special Meeting), May 8, 2004 (Special Meeting), and May 13, 2004 (Special Meeting) were approved as written.

E-3 Approved the specifications and authorized advertisement for bids for purchase and installation of Fire Department radio base station emergency alerting systems.

E-4 Adopted Resolution No. 2004-94 approving the specifications and authorizing advertisement for bids for metering circuit analyzer and authorizing the City Manager to accept or reject the bids, award the contract, and appropriate funds in the amount of \$14,000.

E-5 Adopted Resolution No. 2004-95 approving the specifications and authorizing advertisement for bids for a public education trailer, storage cover, and public education equipment and supplies, and further authorizing the City Manager to accept or reject bids, award the contract, and appropriate funds in the amount of \$15,000 (City's portion of cost).

- E-6 Authorized advertisement for transportation services for the Oooh Ahhh Festival and authorized use of buses should no alternate provider be willing to perform the service.
- E-7 Adopted Resolution No. 2004-96 rejecting the sole bid, authorizing advertisement for bids for the Cochran Road Street Improvements from Peach Street to Willow Avenue, and further authorizing the City Manager to award or reject the contract up to \$40,000.
- E-8 Adopted Resolution No. 2004-97 awarding the purchase of #1/0 medium-voltage concentric-neutral EPR-insulated underground conductor to the low bidder, The Okonite Company, of San Ramon, CA, in the amount of \$52,452.70.
- E-9 Adopted Resolution No. 2004-98 awarding the contract for concession operations at Lodi Lake Park and other locations (determined quarterly) for recreational events to Java J'z, Inc., of Woodbridge.
- E-10 Adopted Resolution No. 2004-99 approving the final map, Improvement Agreement, and Water Rights Agreement for Almond North, Tract No. 3396, directed the City Manager and City Clerk to execute the improvement agreement, water rights agreement, and map on behalf of the City, and appropriated funds in the amount of \$1,120 for the required reimbursements.
- E-11 Adopted Resolution No. 2004-100 authorizing the City Manager to file the claim for the 2003-04 Transportation Development Act funds in the amount of \$2,013,810 from the Local Transportation Fund and \$5,609 from State Transit Assistance.
- E-12 Authorized the City Manager to execute the Inter-County Hazardous Materials Response Team agreement.
- E-13 "Adopt resolution authorizing the City Manager to allocate designated funds to create the Lodi Customer Assistance & Relief Energy Package Program and authorizing the City Manager to execute a contract with the Salvation Army to administer this program (\$105,000)" was **removed from the Consent Calendar and moved to the Regular Calendar**.
- E-14 Adopted Resolution No. 2004-101 authorizing the City Manager to approve Contract Change Order with MV Public Transportation, Inc., in the amount of \$10,270 to complete the Short-Range Transit Plan for the City of Lodi.

F. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

- Curtis Juran, speaking on behalf of the Lodi Mid-Managers Association, stated that members are not just concerned about wages and benefits, they are concerned about the way the City and respective departments function. Members of the Lodi Mid-Managers Association are responsible for making their divisions work and are aware of how the budget crisis is affecting core functions and employee morale. He encouraged Council to maintain the current Electric Utility in-lieu of tax transfers and discard the idea of paying back the loan funds. The in-lieu of tax transfers to the General Fund allow the City to fund public safety and other core services as needed to maintain the quality of life for Lodi citizens. He asked Council to reevaluate the amount of funding provided for community promotions and all extraneous expenditures. He felt that during a time of budget deficits these expenditures should be temporarily reduced or eliminated. He warned that services will be affected if staffing cuts are made.
- Pat Patrick reported that at its regular quarterly meeting this afternoon, the Lodi Chamber of Commerce Board expressed concerns related to an article that appeared in the newspaper today. The article stated that the Small City Preservation Committee would be asking Council tonight to rewrite its initiative. On behalf of the Chamber Board, he urged Council not to do so.

Reading from the article, he stated that initiative proponent Ms. Fiske said that, "it was not the group's intent to restrict such businesses (car dealerships) particularly since they provide a large amount of sales tax revenue to the City." Mr. Patrick noted that there are many other businesses that provide sales tax revenue to the City that should be considered. The Chamber believes it is unfair to put an initiative restriction on certain types of businesses. The Chamber is not in favor of any size limitations whatsoever on large retail stores in Lodi.

- Steve Dutra, Parks Superintendent, invited Council and citizens to the May 21 dedication ceremony at Lodi Lake to celebrate the completion of the Phase 2 Trail Project and the 70th anniversary of Lodi Lake Park.
- Betsy Fiske stated that the intention of the Small City Preservation Committee had never been to include car dealerships in the definition of large-scale retail stores or structures. She noted that the Council had received a letter from the Committee's attorney stating its intent, along with a press release provided to local newspapers yesterday (filed). She explained that the Committee supports locally-owned businesses, rather than corporations from outside the city or state. She displayed a stack of petition sections and announced that over 2,825 signatures had been gathered in only three weeks. She anticipated that an additional 1,000 signatures could be obtained by the weekend. She distributed a list outlining four choices for Council to consider and a petition section (both filed) with the words "For the purposes of this subsection, the term 'gross floor area' shall include outside retail areas" highlighted, which the Committee suggested (in choice 3) that Council exclude. She asked Council to consider the four choices at the next regularly scheduled City Council meeting.

Mayor Pro Tempore Beckman questioned why the initiative stipulates that an election must be held to approve all new businesses over 125,000 square feet. He pointed out that the Committee has stated it is opposed to large-scale retail; however, the requirement to hold elections prior to approving businesses of this size is contradictory and makes it appear that some businesses may be okay and some are not.

Ms. Fiske replied that the Committee's intent is to allow the voters of Lodi to decide on all businesses over 125,000 square feet.

In response to Mayor Hansen, Ms. Fiske explained that the language pertaining to outside retail areas was meant to address stores that bring out merchandise to sell in their parking lots. She reported that someone vetted the signatures on the petition and verified that they were registered voters in the City of Lodi.

Council Member Howard asked whether circulators of the petition fully informed the signers that it was not the proponents' intent to include auto dealerships and that the size was increased from 100,000 square feet to 125,000 square feet.

Ms. Fiske could not speak for all the circulators; however, she told signers that the purpose of the initiative was to limit retail establishments to 125,000 square feet and to exceed that size would require a public vote.

Discussion ensued regarding previously agendized items related to this topic that were considered on March 17 and April 7. Interim City Attorney Schwabauer determined that Council's rules on reconsideration would not apply in this instance, because what was being requested tonight was different from Item I-5 on the April 7 agenda, i.e. "placing a ballot measure establishing 'Big-Box' size limits on the November 2, 2004 ballot."

Mayor Hansen asked that Ms. Fiske's request be placed on the June 2 City Council agenda.

- Joanne Mounce thanked everyone who participated last Sunday in the Celebration on Central event.
- Ann Cerney thanked Mayor Hansen for allowing the Large-Scale Retail Initiative matter to be placed on the June 2 agenda.

- Robert Fenton expressed his opinion that the Large-Scale Retail Initiative is about “a big-box.” He recalled that Committee members tried to get the matter resolved at the Planning Commission level prior to going to Council. He urged Council to amend the language of the initiative to exclude the words “outside retail areas” and place the measure on the ballot.

G. PUBLIC HEARINGS

None.

H. COMMUNICATIONS

H-1 Claims filed against the City of Lodi – None

H-2 Reports: Boards/Commissions/Task Forces/Committees – None

H-3 Appointments – None

H-4 Miscellaneous – None

RECESS

At 7:50 p.m., Mayor Hansen called for a recess, and the City Council meeting reconvened at 7:52 p.m.

I. REGULAR CALENDAR

- I-1 “Recommendations from the City Manager and the City Manager’s Budget Advisory Committee regarding the 2004-05 Financial Plan and Budget”

On behalf of the Budget Advisory Committee, Randy Snider reported that the Committee met on five occasions. Members included himself, Annette Mordaca, Kent Steinwert, Dennis Bennett, Joanne Mounce, Debbie Olsen, Bob Wheeler, Leon Zimmerman, and Bill Huyett. The Committee reviewed the budget process, the citywide survey results, City Manager Flynn’s Phase 1 to 3 budget adjustment recommendations, and surveyed 20 other cities regarding a two-tier California Public Employees Retirement System (CalPERS) benefit program. Mr. Snider reported that the Budget Advisory Committee made the following suggestions:

- Explore a two-tier CalPERS retirement plan for new employees;
- Place a cap on medical insurance premiums or negotiate with the local health community regarding soaring medical costs;
- Consider placing a Transient Occupancy Tax increase measure on the ballot;
- The only sales tax revenue enhancement that would likely be passed by the voters is one that supports public safety; the Committee did *not* believe a tax increase to pay for the Environmental Abatement Program (PCE/TCE) or a general tax would be well received by the voters;
- Electric Utility transfers to the General Fund should continue; and
- The Committee supports the City Manager’s recommendations for Phase 1, 2, and 3 adjustments, or in the alternative, a rollback to fiscal year 2002-03 budget figures.

Debbie Olson, League of California Cities Regional Representative, reported that the Governor presented his revised budget last Thursday. She stated that the Governor is in support of constitutional protection of local government funding; however, he did not support the League’s measure. He has recommended two years of cuts amounting to \$1.3 billion, of which \$350 million would come from cities. Ms. Olson said that for Lodi this would amount to a cut of \$704,000 for the first year, \$704,000 for the second year, and in the third year the City would receive back payment for guaranteed unpaid mandates, i.e. for the Vehicle License Fee (VLF) backfill loan that was borrowed of \$1.1 million. All except one of the Central Valley legislators are in support of the Governor’s proposition for local government, and League cities have voted unanimously to accept it.

Council Member Land asked how this promise from the state to pay cities back is any different from the promise it made in 1993 related to the Educational Revenue Augmentation Fund (ERAF).

Ms. Olson replied that it would be a required mandate repayment for back years and beginning in 2006-07 the current year mandates would be paid. She stated that if the state does not provide funding for a mandate, the mandate sunsets. Cities would not be required to fulfill the obligation for the mandate if there is no funding source. She believed that this was a better constitutional protection than the League's proposed measure. The League's measure allowed for a vote of the people to allow the state to borrow money from local governments. The Governor's constitutional protection of local government funding is from "now into the future" for revenue sources, e.g. VLF, property tax, sales tax, and redevelopment funds. The Governor has committed to chair the initiative that would give cities this constitutional protection and require repayment. Ms. Olson said the Governor would make it "his initiative" if local governments agreed to two more years of contributions. Ms. Olson reported that the Governor removed the property tax, sales tax swap. The VLF is 2% and is constitutionally dedicated to local government. Ratepayers pay .65% and the state backfills the rest. She stated that the Governor wants to keep the effective rate at .65%, but continue to give local governments the 2% funding they need. Instead of getting backfill from the General Fund, cities would get an equivalent amount of property tax. Cities would get ERAF property tax funding in lieu of VLF backfill.

RECESS

At 8:25 p.m., Mayor Hansen called for a recess, and the City Council meeting reconvened at 8:37 p.m.

I. REGULAR CALENDAR (Continued)

I-1 Deputy City Manager Keeter reviewed the following information from the budget calendar:
(Cont'd.)

- December 17 – presented Phase 1 budget adjustment recommendations;
- January 21 – presented Phase 2 budget adjustment recommendations;
- February – began meeting with the City Manager's Budget Advisory Committee and made presentations regarding the City's budget to service clubs;
- February 4 – continued discussions regarding Phase 2 budget adjustment recommendations;
- April 21 – presented results of the public survey;
- April 27 – presented interfund transfers;
- May 13 – Governor's May budget revision was made;
- June 2 – will review fund balances and a draft budget document; and
- June 30 – Special City Council meeting for final budget adoption.

City Manager Flynn distributed a five-page "blue sheet" to Council with spreadsheets entitled: 1) General Fund Budget Challenge 2004-05, 2) Budget Adjustments 2004-05, 3) Budget Adjustments 2004-05 Revenue Adjustments, and 4) Revenue Adjustments General Fund 2003-04. Mr. Flynn stated that he met with four Council Members regarding the budget and incorporated their comments into the adjustment recommendations being presented tonight. He asked for Council direction on what budget adjustments it would suggest be included in the June 2 presentation. He reviewed the spreadsheets and presented the following information:

- State takeaway of \$705,000 next year, again in second year, and in the third year the City would get back approximately \$1.1 million. Lodi has given up \$550,000 this year in the VLF gap. Taking into consideration each of these items, the net loss to the City is \$800,000;

- Net income adjustments total \$858,207;
- Net adjustment to fees total \$396,000;
- It is anticipated that interest earnings will be down \$444,000 partly in effect to lower interest rates than what were estimated and cash balances in the General Fund;
- When the budget was prepared a year ago the Fire Department anticipated that it would have first responder fees in effect July 1; however, that date has been revised to January 1, 2005;
- It is recommended that recruitment of a high crimes investigator be deferred and consequently \$69,000 was backed out of the budget;
- The Lowe's store project is anticipated to open in the next fiscal year, which will add an additional million dollars a year for sales, property, and business license tax to the City. Mr. Flynn stated that sales tax is coming in higher this year than what was estimated by 1% to 2%, so \$400,000 additional revenue has been estimated. When the budget was prepared a year ago it was anticipated that the City would have a soccer complex, which could be rented; however, the project was discontinued so the estimated revenues of \$148,600 had to be backed out of the budget;
- The \$350,000 transfer from Electric Utility to General Fund Capital has been eliminated;
- Electric Utility loan – staff went back to 1995-96 when the first transfer was made and calculated interest at 5.706% for 8 years, which came to \$546,600. This amount will be returned from General Fund Capital to the Electric Fund; and
- The franchise rate was reduced from 12% to 9% in Water and Sewer. If Electric Utility was decreased to 9% it would amount to an additional loss to the General Fund of \$1.5 million.

Mayor Pro Tempore Beckman recalled that the percentage reduction in Water and Wastewater was done following a rate increase in an effort to make it revenue neutral. He was not in favor of reducing the Electric Utility in-lieu of tax transfer merely for having all the percentages the same.

- Budget increases: City Clerk has requested an additional \$62,400 for the November 2004 election; City Attorney's Office budget increased \$250,000 for the audit of Envision Law Group and \$1.3 million is needed for the Environmental Abatement Program (EAP) PCE/TCE litigation. Monthly costs for EAP litigation have been \$200,000 to \$300,000. \$800,000 was programmed in the Water Fund for EAP related costs.

Council Member Hitchcock had understood that the amount designated for EAP related costs in the recent Water and Wastewater rate structure increase was going to pay for any costs not reimbursed by the City's insurers.

City Manager Flynn recommended a shift in the field services Electric Utility meter readers from the Finance Department to the Electric Utility Department. He stated that it would not require a physical relocation of staff. There would be no cost to Electric Utility and no savings to the General Fund. The only change effected by this shift is in supervision. Continuing his report on budget increases, Mr. Flynn presented the following:

- Fire Department – Council approved a \$48,000 performance bonus and an additional \$41,000 cost for City of Stockton dispatching fees;
- Animal Shelter – part time staff cost is \$19,200;
- Water/Wastewater Utilities – Council approved \$42,700 for an additional maintenance worker position;
- Transportation – traffic monitoring equipment is needed at a cost of \$17,500;
- Human Resources – The Public Employees Retirement System was underestimated by \$190,000 in year two of the budget, which needs to be added back in. The Risk

Manager is recommending an additional \$100,000 be placed in the General Liability account;

- A year ago when the budget was prepared \$200,000 was included in the first year and \$400,000 in the second year as anticipated savings from the golden handshake retirement program. In the fall of last year the Council showed no interest in pursuing the concept, so \$400,000 will need to be backed out of the budget; and
- Rental for the Finance Department building is \$108,000 annually.

Mr. Flynn reported that overall the "challenge" (deficit) amounts to \$5,088,707, which includes a \$3,780,407 deficit in the General Fund, \$1,107,100 in the General Fund Capital, \$141,000 in the Library, \$42,700 in Water, \$17,500 in Other (for traffic signals), and an increase of \$895,600 in Electric Utility.

In reply to Mayor Hansen, Mr. Flynn recalled that Council had directed staff to treat the \$350,000 transfer from Electric Utility as a loan. He recommended that \$350,000 be paid back annually to Electric Utility for the next eight years. One year's payment of \$350,000 plus interest at the 1995-96 rate amounts to \$545,600. Because \$350,000 had been programmed in the budget, that amount also needs to be backed out.

Mayor Pro Tempore Beckman questioned whether it was a good idea to begin paying back the loan the same year that the transfers are discontinued.

Council Member Hitchcock asked Interim City Attorney Schwabauer if it was legal to take money out of a rate paying account (not as part of the in-lieu of tax transfer), use it for other purposes, and not repay it. Mr. Schwabauer was uncertain and indicated that he would research the matter and report back to Council.

Mayor Hansen asked whether the repayment could be deferred until 2006-07, when it is anticipated that there would be more financial stability, to which Mr. Schwabauer answered in the affirmative.

In response to Council Member Land, Risk Manager Kirk Evans reported that Lodi's premium this year with the California Joint Powers Risk Management Authority was \$248,000 and a rebate check was received by the City for \$175,000 for 2003-04. He explained that the \$100,000 increase in general liability was not just to pay for insurance. The City must pay for all losses below \$500,000, which is the vast majority of claims.

Council Member Hitchcock asked whether in the current two-year budget, staff was following the actuary's recommendation and the City still had more losses than had been projected, to which Mr. Evans answered in the affirmative. In addition, he explained that the rebate check is deposited back into the liability account and it had been factored into the request for 2004-05.

Mayor Hansen felt that because some of the cost for the EAP has already been passed onto the ratepayers in the recent increase, if more money is needed, the City should budget for it and make adjustments if settlements from insurance companies are received.

Interim City Attorney Schwabauer pointed out that the \$800,000 annual figure that was factored into the water and sewer rate increases for EAP expenses was only a guess, as there was not yet a track record on which to base it. Over time staff will be able to better refine the budget estimate.

Council Member Hitchcock suggested that two years from now would be a better time to begin paying back the \$350,000 a year (for eight years) Electric Utility loan. She felt that a debt structure should be considered for paying the City's liability to Lehman Brothers and its share of the groundwater contamination cleanup cost, rather than taking \$1,351,000 out of the General Fund each year for litigation costs.

Mayor Hansen asked whether the City has enough cash for the next six months to pay its legal bills.

Mr. Flynn replied that there is money in Electric Utility and in the Capital accounts; however, it would mean loaning money to the program. He asked Council for direction on whether or not to include the \$1,351,000 in the budget for EAP litigation costs, and the \$895,600 repayment to Electric Utility.

Mayor Hansen preferred that Electric Utility repayment be deferred, but that the \$350,000 transfers be discontinued.

Council Member Hitchcock felt that the \$545,600 Electric Utility repayment should be deferred and that the \$1,351,000 *not* be budgeted for the EAP litigation costs. She suggested that short-term borrowing be considered instead.

Mayor Pro Tempore Beckman and Council Members Land and Howard agreed with the City Manager's recommendation to budget \$250,000 for the audit of Envision Law Group and \$1,351,000 for EAP litigation costs.

Mr. Flynn suggested that the EAP litigation costs and cost for the audit of Envision Law Group be charged to the Water Fund and borrow the cash from other funds until a track record is developed. Money may be transferred from Capital, Electric Utility, and Wastewater accounts, but this would keep it in the Water Fund and it would not directly impact the General Fund.

Mayor Hansen, Mayor Pro Tempore Beckman, and Council Member Hitchcock agreed with the City Manager's suggestion, noting that it should be treated as a loan and paid back with interest.

PUBLIC COMMENTS:

- Ann Cerney questioned the legality of borrowing money from the Water and Electric Funds and whether Proposition 218 would apply.

Mr. Schwabauer replied that state law provides authority for interfund borrowing and requires a plan for repayment with interest.

In reply to Council Member Hitchcock, Mr. Flynn reported that expenditures appear to be under budget according to figures through March. Ms. Hitchcock stated that she would like to review a report on expenditures and Other Sources and Uses.

City Manager Flynn reviewed the report entitled Budget Adjustments 2004-05, focusing on Phase 3 adjustments, and provided the following information:

- Community Center – reduce arts grants from \$75,000 to \$50,000;
- City Manager – reduce salary by 10% for a savings of \$12,800;
- Transfer Parking Appeals Clerk from the City Manager's Office to the Police Department;
- Communications reduction of \$3,500 (employees in the City Manager's Office will pay for their cell phones personally);
- Travel account reduction in City Manager's Office of \$8,000;
- Supplies and materials reduction in City Manager's Office of \$14,900;
- Citywide postage reduction of \$40,000 (by eliminating inserts in utility bills);
- Combine budget accounts of Economic Development Coordinator and City Manager into one account and eliminate the Economic Development Coordinator position (which would save \$115,800);

- Reduce the Economic Development budget by \$4,000 in supplies and materials and \$3,000 in special payments (i.e. San Joaquin Partnership payment will be reduced from \$30,000 to \$27,000);
- Information Systems – reduction of \$24,000 in supplies and materials;
- Police Department – defer the High Crimes Investigator for one year, which would save \$69,000; and defer the reclassification of Management Analyst for one year, which would save \$5,200;
- Fire Department – defer Firefighter position for one year for a savings of \$81,000; defer Paramedic Program, which would save \$506,800; and defer the vehicles operations course for \$12,600;
- Shift Field Services (meter readers) from the Finance Department to Electric Utility;
- Human Resources – reduction of transfer to Workers Compensation of \$230,500 and decrease the Medical Insurance account by \$352,700 due to being over budgeted;
- Library – cut Sunday hours pursuant to public survey results for a savings of \$17,000;
- Water/Wastewater Utilities – eliminate the Storm Water Analyst position for a savings of \$66,000; and eliminate the organization evaluation for a savings of \$25,000;
- Electric Utility – defer \$10,000 Professional Services increase; defer \$2,000 automated meter reading; defer \$7,000 expense for four computers; and decrease \$45,000 in the equipment account, due to being “over programmed”; Mr. Flynn noted that he was advised by the Finance Department that there was an additional \$100,000 in Electric Utility for marketing, which will be included in the June 2 report;
- Parks and Recreation – defer part-time CAD operator for a savings of \$11,500; and defer basketball floor refurbishing for a savings of \$5,000;
- Public Works – transfer \$1,116,000 from General Fund Capital (unrestricted capital approved by Council in Phase 2); defer reclassification of four engineering positions for one year, which would save \$26,400;
- Facilities Service – reduction of maintenance for the Police Department from \$128,500 to \$120,000; reduce janitorial services by \$57,500, due to decrease from services being provided five days a week to three days a week.

Council Member Land recommended that all service contracts be reviewed and renegotiated at a lesser percentage amount if possible.

Mayor Hansen was in favor of cutting the Sunday hours for the library. He preferred that funds not be decreased for the automated meter reading program, due to the long-term savings it provides.

In response to Council Member Hitchcock, Fire Chief Pretz reported that when Fire Station 4 was opened in 2002, two companies were split. It was agreed to hire a total of ten additional Firefighters to staff Station 4, and from this nine have been hired and one more is needed in 2004-05.

Council Member Hitchcock was opposed to deferring the Firefighter position.

In reply to Council Member Hitchcock, Library Services Director Martinez reported that the Library has between 250 to 350 patrons each Sunday during the four-hour period it is open. Ms. Martinez stated that she would like to continue operating the Library on Sundays.

Council Member Hitchcock preferred that the Library continue to provide services to the public on Sundays.

In response to Mayor Hansen, Deputy City Manager Keeter stated that she and Community Development Director Bartlam are working together on economic development issues; however, no recruitment or marketing efforts are being made due to lack of time and funding.

- Mike Locke of the San Joaquin Partnership explained that its role is outreach and marketing (mainly for industrial and office) for all of the cities in the county. He mentioned that Ms. Keeter attends the Partnership's monthly meetings and provides a conduit for information.
- Pat Patrick of the Chamber of Commerce stated that it is concerned about the economic development of Lodi. The Chamber has formed a task force with a goal of developing an economic plan for Lodi to bring in jobs and reach out to the types of businesses that will fit in the community.

In answer to Council Member Hitchcock, Public Works Director Prima explained that the General Fund Capital program advanced a number of projects that were partially funded by impact fees. As those projects were completed or design work done, impact fees that were programmed for those projects were transferred back into the General Fund Capital, which then becomes unrestricted General Fund capital money.

In reference to the \$1,116,000 transfer from General Fund Capital, Mr. Flynn stated that it would be put into the operating budget to address part of the City's deficit.

Mr. Flynn reviewed the following options:

- Increase hiring freeze to 28 positions (currently programmed at 20) for a savings of \$520,000 annually;
- Extend the Voluntary Time Off program;
- Defer Administrative Leave pay out. Administrative Leave would continue to be provided and any unused leave would be extended from 2005 to 2006. For employees who wish to cash in one week of Administrative Leave they would be allowed to do so in 2006. This would save the City \$150,000 in 2004-05;
- Review community promotions programs;
- All City employees (including public safety) take a 1% to 2% pay cut. A 2% pay cut would result in a savings of \$520,000;
- Explore a medical insurance cap;
- Explore a two-tier retirement plan;
- Mandatory furlough of all non-public safety employees for 26 days a year would save \$1,100,000; 12 furlough days would save \$500,000; and
- Defer pay raises for all non-public safety personnel for one year, at a savings of \$406,000.

Mr. Flynn reported that the City currently has 47 vacancies. Twelve are in Electric Utility and six are in Water/Wastewater. Removing these 18 from 47 leaves 29 vacancies in the General Fund. Of the 29 vacancies, four are in the Police Department that are currently being recruited and one is in the Fire Department and is being recruited. This then brings the number of vacancies down to 24 positions. Mr. Flynn noted that there is no restriction on recruitment for Electric Utility, Water, or Wastewater.

- Judy Steinke, Business Agent for American Federation of State, County, and Municipal Employees, representing the General Service workers and Maintenance & Operators unit, noted that other agencies are considering instituting 911 fees, one-time refinancing of loans, and selling land to increase revenues. Ms. Steinke cautioned Council about the recommendation to reduce funds for medical insurance and Workers Compensation, due to uncertainties in these areas. She felt that the options presented by the City Manager almost entirely balance the budget on the backs of the employees that she represents. She believed it would be unfair to continue to increase the hiring freeze to 28 positions and take across the board pay cuts. She urged Council to think about the employees that provide services for the City and who carry out the directives on which Council votes. She also cautioned Council about relying on any "guarantees" that the state makes regarding back payment for unpaid mandates.

In response to Council inquiries, Ms. Steinke stated that increasing the hiring freeze to 28 positions would be more palatable than across the board pay cuts.

Council Member Hitchcock suggested that the City Manager form a committee to develop a list of services that the City will not be able to provide any longer, due to the 56 positions that will be vacant. She voiced dissatisfaction that the Council continues to get the budget in a piecemeal fashion and preferred to review all revenues and expenditures, with recommendations included.

Mr. Flynn explained that he hoped to get enough guidance from Council this evening to be able to present the entire draft budget to Council on June 2.

- Mike Locke reviewed the purpose, goals, and status of the San Joaquin Partnership. He encouraged Council to remain an active participant with the Partnership at a level it feels is responsible. He emphasized the importance of a public/private partnership. Mr. Locke was understanding of the 10% reduction in funding to the Partnership under the current circumstances.
- Peter Westbrook of the Downtown Lodi Business Partnership (DLBP) pointed out that investments in community promotions provide a return through increased tax revenues for the City. He announced that the Farmers' Market will begin on June 3 and displayed an example of the new banners that are being purchased to advertise it. In answer to Mayor Pro Tempore Beckman, he agreed to a 5% cut in the City's contribution to the DLBP.
- Nancy Beckman, Executive Director of the Lodi Conference and Visitors Bureau (LCVB), stated that the LCVB wants to be part of the solution and is prepared to take a cut to its budget in order to assist the City. She asked that Council keep in mind, however, that the LCVB has a matching grant by the Winegrape Commission and whatever cut it gets from the City, it will also have a matching cut from the Winegrape Commission. She updated Council on the LCVB's recent accomplishments.

Council Member Hitchcock stated that she was in favor of cutting expenditures, not investments.

At the request of Council Member Hitchcock, Ms. Beckman explained that there is potential for forming a Business Improvement District (BID) to help fund the tourism efforts in the community. Meetings have taken place with hotels to discuss the concept, and responses thus far have been neutral to very supportive.

Council Member Howard preferred that an opportunity be provided for the BID to form, rather than increasing the Transient Occupancy Tax. She supported the recommended 5% funding reduction for community promotions, the \$25,000 decrease in Arts grants, and 10% funding reduction to San Joaquin Partnership.

City Manager Flynn distributed a list of cash donations made to various community promotions from 1994 to present (filed).

- David Towne, Water/Wastewater Maintenance Worker, reported that, on average, the salaries of the employees in his department are 16% under the mean. He asked whether the work furlough would have an impact on retirement. He noted that the City already has a two-tier retirement system and asked that Council consider the fact that not all contracts have been fulfilled at this time.
- Pat Patrick offered that Council reduce funding to the Chamber of Commerce by 25% in 2004-05, 50% in 2005-06, with no funding beyond that. He suggested that if funding to the LCVB is reduced, that more of the Chamber's share be given to the LCVB to make up for it.

- Sherry Towne stated that the Public Works Maintenance & Operators employees are working without a contract now. She noted the difficulty in their jobs and commented that she has known them to work at 3:00 a.m. in the winter repairing water main breaks.
- Ann Cerney stated that she was a member of the DLBP and concurred with Mr. Westbrook's offer to give up a percentage of funding. She urged Council not to think only in terms of dollars, but in the long-term value of the services that the Library and Arts Commission provide.
- John Flores, employee of the Water/Wastewater Division of Public Works, pointed out that the City has grown over the years, as has public safety. In his 17 years of employment, there have only been 12 employees in his division. Whether in good financial times or bad, his division has not been considered and they continue to do the same work and are getting paid less.
- Charlie Swimley, Senior Civil Engineer and Lodi citizen, urged Council to consider the work of the Maintenance & Operators unit. Their work is largely not seen as it is done underground and at night. They are relied on by the Engineering Division to perform video taping of pipelines and to locate utilities when needed for design purposes.

Council Member Land made the following recommendations and comments:

- Increase hiring freeze to 28 positions;
- Extend Voluntary Time Off program for one year;
- Defer Administrative Leave pay out;
- Opposed to any reduction in funding to the DLBP;
- Reduce LCVB funding by 5%;
- Reduce Chamber of Commerce funding by 25%;
- Reduce Lodi-Tokay Rotary (Oooh Ahhh festival) funding by 10%;
- Reduce Lodi-Tokay Rotary (Kids' Night Out) funding by 10%;
- Reduce San Joaquin Partnership funding by 10%;
- Renegotiate contracts for Viacom Outdoor Signs and inquire whether Mondavi winery would share the sign cost;
- Would support across the board pay cuts if necessary;
- Opposed to a medical insurance cap;
- Opposed to a two-tier retirement plan (perhaps look at during next negotiation period);
- Would support a 12-day mandatory furlough; and
- Suggested that the City's inventory of property be reviewed for any that could be sold or for property in which funds are expended for maintenance/cleanup, that it be considered for gifting to someone; and that a report and recommendation by staff be provided to Council on this subject.

Council Member Hitchcock made the following recommendations and comments:

- Extend Voluntary Time Off program;
- Expressed concern with increasing the hiring freeze to 28 positions, unless discussion and decisions are made about reducing services;
- Favored a 1% to 2% pay cut across the board, over a mandatory furlough of non-safety employees because it would be fairer;
- Defer Administrative Leave pay out;
- Explore medical insurance cap; and
- Consider employee contribution to the retirement plan, rather than a two-tier program.

Council Member Howard made the following recommendations and comments:

- Increase hiring freeze to 28 positions;
- Extend Voluntary Time Off program for one year;
- Defer Administrative Leave pay out;
- Review community promotions programs;
- Opposed to 1% to 2% pay cut across the board;
- Opposed to mandatory furlough days; and
- Explore medical insurance cap and two-tier retirement plan for long-term outlook, but not as a hasty response.

Mayor Hansen agreed with Ms. Howard's recommendations. He asked the City Manager to factor in what has been suggested and advise Council of any remaining deficit. He emphasized opposition to mandatory furlough days and stated that if it was absolutely necessary he might support a 2% pay cut across the board. He did not wish Lodi to be one of the only cities in California with a two-tier retirement system because it would impact recruitment of good employees. A medical insurance cap should be considered in future negotiations.

Mr. Flynn reviewed the report entitled "Budget Adjustments 2004-05 Revenue Adjustments" and presented the following information:

- Increase in sales tax of ¼ cent would generate \$1,950,000;
- Transient Occupancy Tax increase from 6% to 10% would generate \$266,000;
- If the Electric Utility in-lieu of tax transfers were decreased to 9%, it would result in a decrease of \$1,500,000;
- Eliminating the \$350,000 annual transfer from Electric Utility and paying back year one of the loan with interest (\$545,600) results in a decrease of \$895,600;
- The water rate increase will generate \$2 million;
- The sewer rate increase will generate \$1.5 million; and
- If a 911 fee were instituted, it would generate \$300,000.

Mayor Hansen made the following recommendations and comments:

- Would not be in favor of instituting a 911 fee if there was any possibility of being in violation of Proposition 218;
- Supported a ¼ cent general revenue sales tax increase with a sunset of five years;
- Opposed to increasing TOT; was in favor of allowing opportunity for BID to form; and
- Opposed to reducing the Electric Utility in-lieu of tax transfer to 9%.

Council Member Howard made the following recommendations and comments:

- Opposed to ¼ cent sales tax increase for general or special revenue;
- Opposed to increasing TOT; was in favor of allowing an opportunity for BID to form;
- Opposed to reducing the Electric Utility in-lieu of tax transfer to 9%; and
- Not interested in instituting a 911 fee at this time.

Council Member Hitchcock made the following recommendations and comments:

- Did not believe that a general revenue sales tax increase measure would be successful; however, she felt that it stood a better chance if it were designated for creating a greenbelt area;
- Supported a 911 fee; and
- Supported a Fire Department first responder fee.

Council Member Land made the following recommendations and comments:

- Opposed to any type of sales tax increase;
- Opposed to increasing TOT; was in favor of allowing an opportunity for BID to form;
- Opposed to reducing the Electric Utility in-lieu of tax transfer to 9%;
- Supported Capital transfer of \$350,000 if treated as a loan; and
- Supported a 911 fee.

Mayor Pro Tempore Beckman made the following recommendations and comments:

- Opposed to a 911 fee; and
- Favored a ¼ cent sales tax with a ten-year sunset, with the “guiding principle” that it would be used for a greenbelt and in the first one or two years of the sales tax, use the revenue to offset the City’s deficit and, in years three through eight, use the revenue for a greenbelt.

Mayor Hansen suggested a two-part ballot measure where voters first choose whether they want the sales tax increase and then choose from a selection (e.g. greenbelt, PCE/TCE cleanup, etc.) of what they would like the money spent on.

Council Member Hitchcock was opposed to Mayor Hansen’s suggestion. In addition, she stated that the Greenbelt Task Force is not ready to make a recommendation for the November 2004 ballot. Further, she recommended that the Council not place any measures on the ballot for this year’s election.

Council Member Howard agreed that it is too soon to place a sales tax increase measure on the ballot for a greenbelt area, as it is still being defined.

In reference to the revenue enhancements options, Mayor Hansen addressed the City Manager and stated that the 911 fee should be considered and “everything else is a no.”

MOTION/ VOTE:

There was no Council action taken on this matter.

VOTE TO CONTINUE WITH THE REMAINDER OF THE MEETING

The City Council, on motion of Mayor Pro Tempore Beckman, Hitchcock second, unanimously voted to continue the meeting following the 11 p.m. hour, but to consider only Items I-2 and J-1. The remainder of the items will be continued to the Regular City Council meeting of June 2, 2004.

I. REGULAR CALENDAR (Continued)

- I-2 “Discussion and appropriate action regarding: 1) Electric Utility \$350,000 annual transfer to the General Fund Capital; 2) repayment of past annual \$350,000 transfers from the Electric Utility to the General Fund Capital; and 3) \$73,000 remaining balance of the Old Lodi Union High School Site Foundation’s 1991 Loan”

Deputy City Manager Keeter recalled that a Special City Council meeting was held on April 26 to discuss interfund transfers. The matter is now before Council to decide whether or not to continue or cease transferring \$350,000 annually from Electric Utility to General Fund Capital. She noted that the \$350,000 transfer has already been programmed in the 2004-05 budget.

Council Member Hitchcock stated that the transfer should be discontinued immediately and repayments begun later when state impacts are more certain.

Mayor Hansen concurred with Ms. Hitchcock’s statement.

MOTION #1:

Mayor Pro Tempore Beckman made a motion, Hansen second, to immediately cease the \$350,000 annual transfer from the Electric Utility to the General Fund Capital and begin repaying the loan (on an annual basis with interest) in fiscal year 2006-07.

DISCUSSION:

Council Member Land was opposed to taking the \$350,000 out of this year's budget; however, he was in support of the repayment beginning in 2006-07.

Steve Dutra, Parks Superintendent, reported that from this transfer the Parks Division has been receiving \$150,000 annually and \$50,000 is placed in a small projects account. He stated that the Parks Department has come to rely on this funding for daily operations.

VOTE:

The above motion carried by the following vote:

Ayes: Council Members – Beckman, Hitchcock, Howard, and Mayor Hansen

Noes: Council Members – Land

Absent: Council Members – None

Discussion ensued regarding the \$73,000 remaining balance of the Old Lodi Union High School Site Foundation's 1991 Loan.

Tea Silvestre, Community Center Director, stated that the Foundation has worked diligently to raise funds and recommended that the loan be forgiven.

City Manager Flynn suggested that the first payment received from the Foundation be applied to the loan. He noted that the first payment did not have City matching funds.

Council Member Howard asked, if done as the City Manager suggested, whether the current balance would then increase by \$73,000, to which Mr. Flynn answered in the affirmative.

MOTION #2 / VOTE:

The City Council, on motion of Mayor Pro Tempore Beckman, Hitchcock second, unanimously voted to apply/transfer a portion of the first payment made by the Foundation toward its commitment to repay the City for completion of the Hutchins Street Square project to pay off the \$73,000 remaining balance of the Old Lodi Union High School Site Foundation's 1991 loan.

- I-3 "Adopt urgency ordinance repealing and reenacting Lodi Municipal Code §13.04.130 and establishing low-income discounts for water, sewer, and refuse services and adopt resolution establishing discounts" was ***continued to the regular meeting of June 2, due to the above vote.***
- I-4 "Consideration of various matters pertaining to the November 2, 2004, General Municipal Election: a) Resolution calling and giving notice of the holding of a General Municipal Election, b) Resolution approving entering into a contract with the County of San Joaquin for the County Registrar of Voters to provide certain services, c) Resolution regarding impartial analyses, arguments, and rebuttal arguments for any measure(s) that may qualify to be placed on the ballot, and d) Resolution adopting regulations pertaining to the candidates' statements" was ***continued to the regular meeting of June 2, due to the above vote.***
- I-5 "Discussion and possible action regarding option to refer the proposed Large-Scale Retail Initiative measure to any city agency or agencies for a report on its effect on municipal operations (pursuant to California Elections Code Section 9212)" was ***continued to the regular meeting of June 2, due to the above vote.***

- I-6 "Introduce ordinance amending Lodi Municipal Code Chapter 12.12 – Parks – by adding Article IV, "Skate Parks," relating to skate park regulations" was ***continued to the regular meeting of June 2, due to the above vote.***
- I-7 "Discussion and possible action regarding a proposed City of Lodi Code of Ethics and Values" was ***continued to the regular meeting of June 2, due to the above vote.***
- E-13 "Adopt resolution authorizing the City Manager to allocate designated funds to create the Lodi Customer Assistance & Relief Energy Package Program and authorizing the City Manager to execute a contract with the Salvation Army to administer this program (\$105,000)" was ***continued to the regular meeting of June 2, due to the above vote.***

J. ORDINANCE

- J-1 Following reading of the title of Ordinance No. 1747 entitled, "An Ordinance of the City Council of the City of Lodi Amending Lodi Municipal Code Title 13 – Public Services – by Repealing and Reenacting Chapter 13.14, 'Stormwater Management and Discharge Control,' Relating to Stormwater," having been introduced at a regular meeting of the Lodi City Council held May 5, 2004, the City Council, on motion of Mayor Pro Tempore Beckman, Hansen second, waived reading of the ordinance in full and adopted and ordered it to print by the following vote:
- Ayes: Council Members – Beckman, Hitchcock, Howard, Land, and Mayor Hansen
Noes: Council Members – None
Absent: Council Members – None
Abstain: Council Members – None

K. COMMENTS BY CITY COUNCIL MEMBERS ON NON-AGENDA ITEMS

None.

L. COMMENTS BY THE CITY ATTORNEY ON NON-AGENDA ITEMS

- Interim City Attorney Schwabauer suggested that the adjourned Special Meeting (from May 18, 2004, at 7:00 a.m. to May 19, 2004, at 7:00 p.m.) be re-adjourned to May 21, 2004, at 7:00 a.m. *NOTE: It was subsequently decided (due to Brown Act considerations) to re-adjourn the meeting to May 21, 2004, at 4:30 p.m.*

Mr. Schwabauer stated that May 20 is the last day to file a writ of certiorari on the Third District Court of Appeal opinion. In the absence of Council direction, he would file the motion and bring it back to Council for deliberation and removal if desired. On May 21, a decision must be made on whether or not to appeal the decision of the Regional Water Quality Control Board that it is not bound by the joint cooperative agreement and that it can issue orders against the City independently. There are also a number of bills, which are now several months old and need to be addressed as soon as possible.

M. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 1:25 a.m., Thursday, May 20, 2004.

ATTEST:

Susan J. Blackston
City Clerk